C5150-2

The newspaper of drug store retailing

Feb. 18, 1991

DRUG STORE NEWS

Vol. 13 No. 4

A Lebhar-Friedman publication

LATE NEWS

• **MELVILLE, N.Y. — Genovese's Ralph and Ray Rescildo, vps of pharmacy services and professional relations, left the chain and bought a drug store in Fairfield, Conn.**

• **LOS ANGELES — Operating earnings for Thrifty's 's drug and sporting goods stores fell 47% to $36 million for the year ended Dec. 31. Corporate sales rose 3% to $3.2 billion.**

FEATURES

Technology eyes shopper needs

Smart applications of emerging technologies will help marketers meet targeted consumer needs in the '90s. Page 8.

Grass recalls bribery trial

The bribery charges were tossed out long ago, b... memo... the pr...

* 02946 ******** 3-DIGIT 208
0124457 DR JUN91
ATTN: SRI
KURT MILLS CONGRESSL INFO S
4520 E W HWY
BETHESDA MD 20814

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0859

SECOND CLASS

Drug stores rally in Desert Storm

Carol Marino (r), Austin Drugs cosmetician, pins yellow ribbon on shopper Karen Crawbuck.

By Al Heller
with additional reporting by Susan Ball, James Frederick, David Vaczek and Elizabeth Richardson

If the community role of drug stores was ever in doubt, Operation Desert Storm has whipped up those warm feelings once again as chains and independents respond visibly to the nation's piqued emotions.

In small towns and suburbs, the anguish of war is all too evident. That drama is often played out in the corner drug store, where locals talk of patriotism, diminished spending plans and missed loved ones. The same places where people rush to get medicines for sick family members are largely rising to this occasion—albeit with some profit motive—despite their own hurts of sluggish sales and employees abroad.

On a large scale, Walgreen has donated a steady stream of health and beauty aids, dehydrated foods and pens—and pantyhose to protect rifle barrels from sand. One Walgreens store in **New Jersey** bought 400 boxes of Girl Scout cookies and shipped them to soldiers in the Gulf; some other stores are drop-off points for mail abroad.

Eckerd, American Stores and Begley Drug are making up employees' salary differences while on active duty. Genovese Drug enlisted 20 manufacturers to donate product that the chain sent to 3,500 service personnel. And a Drug Emporium franchise in **Hampton Roads, Va.** ran a similar program with seven vendors.

See **Chains** *page 32*

Fay's to buy 48 Carls

By David Vaczek

LIVERPOOL, N.Y. — Fay's, Inc. in a major purchase, said it has entered a tentative agreement to buy the Rome, N.Y.-based Carls Drug. Carls, operating 48 drug stores, and its employees will be "totally absorbed" by Fay's, with the drug stores converted to Fay's stores, Henry Panasci, Jr., Fay's chairman and ceo, told *Drug Store News*.

"It's our plan to assimilate the organization and the people into Fay's," said Panasci.

The purchase significantly advances Fay's goal to hit the $1 billion sales mark, by adding Carls' $100 million annual drug store volume. Fay's posted $526.6 million sales in 1989, and is on the way to being around $700 million this fiscal year, based on reported third quarter results.

Carls is being sold by Victory Markets, Inc., a New York

See **Fay's** *page 32*

Phar-Mor pushes past $2 billion sales mark

YOUNGSTOWN, Ohio — Fast-growing Phar-Mor pushed past the $2 billion sales level in 1990, thanks to Christmas selling and its torrid expansion pace. That pace pushed the chain to 237 stores operating in 27 states at year-end.

"We achieved our goal of $2 billion for the year," said president Michael "Mickey" Monus. "We want to build on our momentum and continue our. . .expansion plans in 1991."

The chain plans to add another 70 units this year in existing and new states, including its first Detroit-area locations and its first stores in New York, Arkansas and Kansas. Phar-Mor has also pushed recently into new markets like Cincinnati, Dover, Delaware, and Southern California.

This year will also see the deep-discounter adding to its base

See **Phar-Mor** *page 32*

Harco's 50th: A piece of cake

By Susan Ball

TUSCALOOSA, Ala. — At exactly 3 p.m. Jan. 30, Harco associates at all 115 drug stores gathered around 115 birthday cakes and wished one another "Happy Birthday."

Everybody watched videotaped birthday messages from president Jim Harrison Jr., and each full- and part-time employee received a T-shirt and commemorative mug. Then everybody had a piece of cake.

At the same time, parties were thrown at Harco's auto parts and home health care units and at headquarters for its office and warehouse people.

Harco is celebrating its 50th anniversary this year—"50 Years of Caring"—as the slogan puts it. The simultaneous birthday parties at its 161 stores (including all divisions) were

See **Harco** *page 32*

HARCO INC.
50 YEARS
OF CARING

NEWS IN BRIEF

Stevens quits as Fred Meyer's chief

PORTLAND, Ore. — Frederick Stevens has resigned unexpectedly as chairman and chief executive of Fred Meyer, the chain of one-stop megamarts operating in the Northwest.

No replacement has been named, although Fred Meyer's board has begun a search for a new ceo. Other senior managers will assume Stevens' role during the transition period and no interim ceo will be named, according to company spokesperson Cheryl Perrin.

Stevens joined the company in April, 1988. During his tenure, the chain made big investments in management information systems, developed several new store formats and accelerated its construction and expansion pace.

"I am pleased with our accomplishments and glad to have been part of the Fred Meyer team the past three years," Stevens said. "I feel now is an appropriate time for me to seek new opportunities and challenges. While there is still more to be done, the company is well positioned for continued growth."

No other explanation was given for Stevens' departure.

Fred Meyer now operates 122 units, including 94 giant-scale multi-departmental stores with pharmacies, food, general merchandise, apparel, home electronics, home improvement products and jewelry. The stores range up to 200,000 square feet, and operate in Oregon, Washington, Utah, Idaho, Alaska, Montana and California. Sales in 1989 were $2.28 billion.

Rx Place to bow on Long Island

NEW YORK — Rx Place, which doubled its store count in 1990, is kicking off another ambitious expansion year with its first store on Long Island, to open March 9 in Copiague.

The deep discount drug chain, a division of Woolworth's, currently operates 20 stores, 10 of which opened last year, from New England to Philadelphia, with concentrations in the latter market, Syracuse and Providence, R.I.

The 25,000-square-foot Copiague store, located next door to Price Club in a shopping center on Sunrise Highway, is "definitely a first step" in plans to grow on Long Island, said Rx Place president Gary Fuller. Noting that there are several store leases in negotiation, he added, "We're looking all over Long Island."

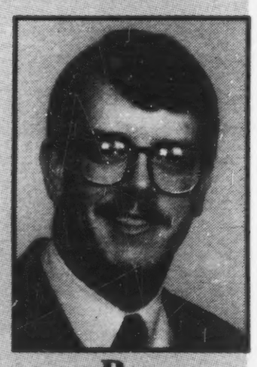
Rx Place is shooting for 10 new stores this year, targeting New England and New Jersey as well as Long Island.

Eckerd taps Ray vp-systems develop.

CLEARWATER, Fla. — Eckerd Drug appointed James B. Ray to the new position of vp-systems development, reporting to vp-information systems Jerry Rothmeyer.

Ray, who joined Eckerd three years ago as director of management information systems, was formerly with Arthur Young and Co.

Rothmeyer said the newly created job "underscores the importance of constantly upgrading and enhancing Eckerd's technological capabilities."



Ray

IN THIS ISSUE

SPECIAL FEATURE

Marketing through technology . 8
NACDS Small Chain Conference photo coverage 30

GENERAL MERCHANDISE

On-site labs, new promos build photo dept. 15
Pictures show latest designs in photo dept. 16
Picking the next hot toy is no trivial pursuit 20

HEALTH & BEAUTY AIDS

Video revolution informs on Pery's core categories 23
Freeman Cosmetics sponsors Moscow beauty pageant . . 25

COSMETICS AND FRAGRANCES

Trends in cosmetics, fragrances make quick sell throughs . . 26
Making a greener environment through fragrance promos . 28

DEPARTMENTS

Opinion
In the Market 6
The Human Side 6
Finance 34

NACDS Small Chain Conference is a springboard into the 1990s

By James Frederick

CORONADO, Calif. — Small-chain executives came here with two main goals: to forge better relationships with vendors and acquire tools to help them survive and prosper in '90s-era retailing.

For most drug chains, that means upgrading automation and information-gathering capabilities without spending themselves into a hole. For the nearly 50 drug chains represented at La Meridien Hotel here, these goals went hand-in-hand with the need to cut operating costs and improve efficiencies.

(See conference photos, page 30.)

The occasion was the annual NACDS Small Chain Conference, which this year drew more than 70 retail executives representing four- to 50-store chains, 25 supplier companies and three major wholesalers.

Since most chains here were small enough not to compete with one another, ideas and information flowed freely. In panel discussions, group think tanks and informal get-togethers, small-chain executives spoke frankly.

"It's been a highly successful show, because there's been a significant amount of interaction among the small-chain operators and the manufacturers," said NACDS president Ron Ziegler on the last day of the event.

"This has been excellent for the sharing of ideas," added Bill Matteucci, president of Drug Fair Northwest.

Partnerships needed

Attendees voiced the need for better dialogue and relationships between retailers and suppliers. As Medic Discount Drug president Nat Lipsyc put it: "We have worked at that with every one of our major suppliers for years, and I haven't sensed a readiness with many of them to change the old ways of doing business."

In many cases, say both retailers and suppliers, those "old ways" have been more adversarial than mutually agreeable. In a talk entitled "The New Marketing Partnership," retired Procter & Gamble vp-sales Lou Pritchett said, "These historical, adversarial, win-lose relationships must end, and we must all focus on the consumer in the new marketing environment."

"You may think these kinds of partnerships can only exist between the major suppliers and the biggest chains, and that would be a reasonable conclusion," Pritchett admitted. "In the old days, suppliers looked at retail as a necessary evil, a link in the distribution chain to the end user. . .Those days are ending."

Pritchett gave several reasons for the change. Among them: the explosion of new product movement information available to retailers, which puts them on a more even playing field and helps both retailers and suppliers target individual markets and customers effectively; growing consolidation among retailers, which changes the ratio of suppliers to retailers; and new efforts by suppliers to shift their focus beyond just selling, into service and value-added support. At the bottom of it all, he said, is the growing realization among suppliers that a "win-win" partnership—in which suppliers focus on the needs of retail buyers in planning and promoting products—helps both sides to build sales.

Panel on 1990s retailing concluded Small Chain Conference. From left: Sheldon (Bud) Fantle, president, Fantle's Enterprises; Derek Hall, McKesson Drug vp-sales; Jerry Heller, president and ceo, May's Drug Stores; Bob Mathews, Synercom senior vp-development; Derry Myers, vp-sales, Jack's Service Co.; and Larry Tilton, president, Lederle Consumer Health Products.

Panel looks at small chain concerns

"I have tasted both the bitter and the sweet in this industry. . . you learn a lot more from defeat than from your successes."

—Sheldon "Bud" Fantle, former chairman, NACDS, Peoples, Fantle's

CORONADO, Calif. — He uttered that truism as he moderated a panel on 1990s retailing at the conference.

EDI, front-end scanning, and other technologies were central issues. Fantle urged small-chain retailers to adopt scanning "as soon as you can use POS in any way."

"It's not enough just to have captured the data (at the point of sale)," said panelist Bob Mathews, senior vp-systems at Synercom. "You've got to learn how to use it (because) a POS system will give you mountains of data."

Jerry Heller, May's president, added his chain is "working directly with IBM to develop a POS system."

Meanwhile, Heller added, drug chains should stay focused on their mission in the '90s: "We decided a long time ago not to get sidetracked" by video rentals, optical centers, auto supplies and other businesses. "It's much easier to handle your financing and distribution and build relationships with vendors if you're focused on one business."

"My personal philosophy is that 7,000 to 8,000 square feet is as large as a drug store ought to be," he added. "You can do all your core departments very well in that space."

Other issues addressed by the panel and its audience: the changing nature of retailer/ supplier relationships; hiring and training employees; competitive strategies; financial resources; and drug pricing.

Small chains pick five years

CORONADO, Calif. — Small chain operators gave strong support to the continuation of five-year vs. six-year pharmacy degrees during the NACDS Small Chain Conference here.

The members adopted a resolution stating that the current five-year degree requirements for pharmacists remain "in the best interests of the public and community pharmacy."

The resolution declares strong opposition to "any attempts to mandate a six-year degree as the sole first degree for pharmacy practice," since such a mandate "would fundamentally alter the public's access to pharmacy services because of the severe manpower shortage that would result."

"The message is clear," said NACDS chairman Phil Beekman in his opening remarks at the Small Chain Conference. "There's overwhelming support from both educators and pharmacists for a five-year program."

On-site labs, new promos build photo dept. at chains

Drug chains have been the mass market's most aggressive promoter of film and quality photofinishing for a long time. That head start continues to stand them in good stead, despite the inroads made by new classes of trade over the past decade.

In the fight for a bigger share of the photo market, drug chains are more than holding their own in a crowded field. Between 1988 and 1989, for instance, the Photo Marketing Association reports that drug stores boosted their share of the nation's $5.34 billion photofinishing business from 21.5 percent to 22 percent. Unit sales showed even better gains, the PMA reported: drug stores accounted for 23.3 percent of the roughly 750 million rolls of film processed in 1989, vs. 22.6 percent the previous year.

The gains were due in large part to the increasing use of in-store mini labs by drug chains, and to innovative marketing and promotional programs by the chains. Combined, those strengths led to a doubling of business by drug store mini-labs—from 3.3 percent of the total one-hour photofinishing market in 1988 to 6.7 percent in 1989, according to the PMA.

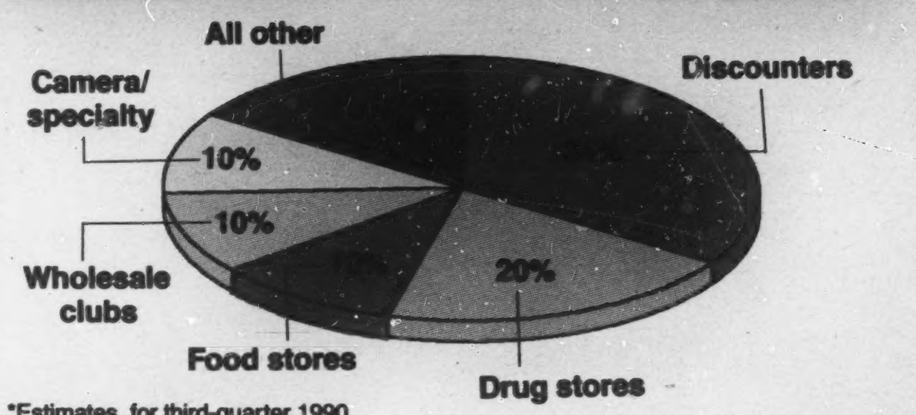
"There's been a definite expansion of on-site processing," said Rod King, senior marketing manager for Fuji Photo Film U.S.A., Inc. "Photofinishing is much more important to the drug class of trade than to discount or food...and more and more retailers are abandoning wholesale photofinishers and picking up on-site processing."

The efforts drug chains make at the photo counter have also been good for film sales, which King said are growing 5 to 6 percent a year in the drug trade class. Drug chains—along with other mass market outlets—still struggle, however, to get many of their film customers to bring their exposed rolls back to the store for processing. It's a matter of quality perception, according to the PMA: many chains simply haven't gotten the message across. "These [mass market] outlets have the least loyal customers . . . in terms of returning to the outlet for photofinishing," the PMA noted in its most recent market report. That fact is spurring much of the shift to in-store processing as a means to control and promote quality prints, the report adds.

Most drug chains have stepped up efforts to sell the quality message, which helps drive both processing and film sales. Said Wynne Powell of London Drugs, one of the industry's most committed players in photo and film, "You have to know the photo business to make money in it. We put out a strong quality message in our photofinishing, with computerized testing and hundreds of tests for print quality. Our standards are so high, many of our photo lab managers have degrees."

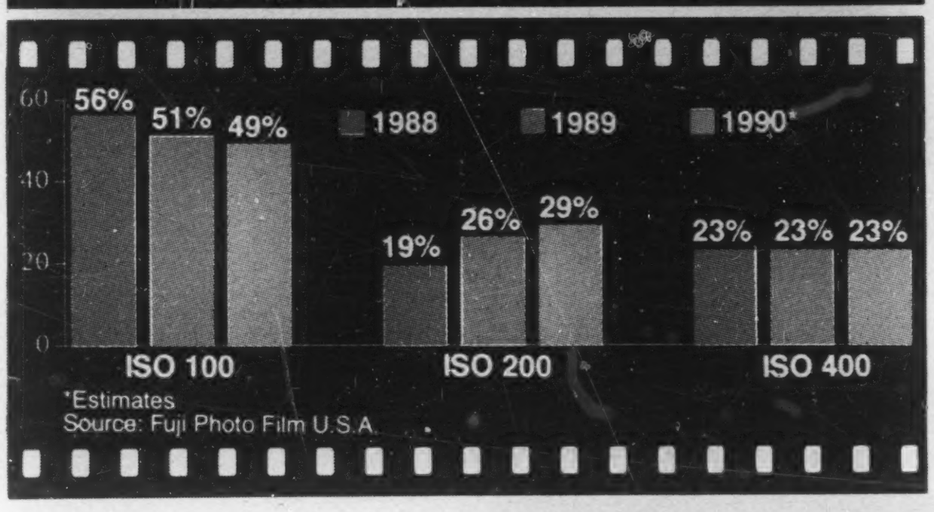
That helps explain why London's in-store labs process a minimum of 600 rolls a day, he said.

35mm film sales by trade class*
Outlet Market share



*Estimates, for third-quarter 1990
Source: Fuji Photo Film U.S.A.

200-speed film gaining in popularity
(Shifts in market share for film speeds)
Film Speed Year Share of 35mm sales



*Estimates
Source: Fuji Photo Film U.S.A.

Growth of 35mm exposure volume, 1975 to 1989

Year	Percentage of total exposures
1975	12.4%
1977	30.0%
1980	34.0%
1983	48.0%
1987	69.0%
1988	75.4%
1989	80.1%

Source: Photo Marketing Association

Film makers focus on R&D, promos

U.S. consumers will be buying upwards of 900 million rolls of film this year and several million more point-and-shoot 35mm cameras to fuel demand for more rolls. That fact has not been lost on manufacturers, who continue to pour big dollars into new-product development and heavy national and point-of-purchase advertising.

On the one hand, the major film makers continue to research new emulsion systems for faster, brighter, more color-saturated film; on the other, the big imaging companies continue their high-stakes, high-profile marketing campaigns to win consumers and retail shelf space. The two biggest competitors in this pitched battle remain Eastman Kodak and Fuji Photo Film, but more recent entrants like Polaroid's OneFilm, 3M's Scotch brand and Konica, a lower-priced alternative, are gaining new retail allies as they fight for positioning and pick up higher sales.

The manufacturers have kept the heat on their efforts to improve products and packaging and to boost brand awareness. Kodak, for instance, unveiled in January a new version of its Gold 400 film which it says features the world's most accurate color reproduction and most saturated colors in its ISO speed range. The improved emulsion system allows for better response to flash exposures, and more exposure latitude.

The new Gold 400 film will get a big sendoff with TV and print ads and on-pack promotional offers. Kodak has also developed packaging to reflect the name change from Kodacolor Gold to Kodak Gold.

Fuji—which recently announced an environmental effort to begin replacing its plastic film containers with mostly recycled paper containers—will shortly launch a new gem giveaway promotion. The campaign, featuring the theme "Discover the Brilliance of Fujicolor," will include the giveaway of more than 1,400 precious gems during the March-through-June event, meant to showcase Fuji's color reproduction.

Polaroid's OneFilm is also getting a big new promotional push this year. The new "Win a Star-Studded Hollywood Extravaganza" sweepstakes runs from February through April.

"The first-quarter promotion will be heavily supported by a national advertising campaign and a full complement of point-of-sale materials and displays," said Donald Patrican, Polaroid director of U.S. consumer marketing.

3M, meanwhile, is launching a major ad campaign of its own to mark the debut of a new, improved emulsion system for its Scotch-brand and private-label films.

The manufacturers have kept the heat on their efforts to improve products and packaging and to boost brand awareness.

McK health care revenues and operating profits rise

SAN FRANCISCO — A decline in the results of its Armor All Products division offset gains in McKesson Corp.'s core health care business, and the company reported a 6 percent drop in earnings per share for the third quarter ended Dec. 31.

Alan Seelenfreund, chairman and ceo, and Rex R. Malson, president and chief operating officer, noted, however, that "combined health care revenues—which include pharmaceutical distribution and prescription claims management—were up 11 percent in the quarter, and operating profit rose 21 percent, while revenues for the nine months were up 12 percent and operating profit, 19 percent."

Third-quarter revenues rose 8 percent to $2.2 billion, from $2.03 billion in the prior-year period, and net income fell 9 percent to $27.3 million, from $30 million. Fully diluted earnings per share were 60 cents, down from 64 cents.

Revenues for the nine months were up 10 percent, to $6.3 billion from $5.7 billion, while net income dropped 3 percent, to $78.1 million from $80.4 million. Earnings per share were $1.71 versus $1.73.

The pharmaceutical distribution segment increased in revenues of 11 percent for the quarter, to about $1.9 billion, and a 14 percent jump in operating profit, to $45.1 million.

Excluding bulk sales, operating profit margins for the quarter were 3.19 percent, up from 3.14 percent in the comparable period last year.

For the nine months, revenues in the segment rose 12 percent and operating profit rose 9 percent. The operating margin was 3.01 percent, compared with 3.09 percent for the year-ago nine months.

PCS revenues for the quarter were $24.6 million, up 17 percent excluding prior-year revenues of the company's PDS subsidiary, which was sold last February.

Medicine Shoppe posts 14 percent comp-store gains

ST. LOUIS — Medicine Shoppe International increased net earnings to $2.5 million for first quarter 1991, ended Dec. 31, 1990, while corporate revenues rose 9 percent, to $8.9 million.

Revenues in the comparable period last year were $8.2 million, and net earnings were $2.02 million.

Franchise fee revenues for the quarter were up 19 percent, and interest financing activities advanced 18 percent. Overall retail sales increased 19 percent, to $145.98 million for the quarter, and store-for-store sales gained 14 percent.

Opening 20 stores and closing eight during the quarter, MSI had a net gain of 12 units. Fourteen of the stores opened were conversions from independent pharmacies.

MSI's Board of Directors voted a 6 cent per share quarterly dividend payable Feb. 26 to shareholders of record Feb. 12.

Cardinal 3rd qtr. net earnings up 35 percent, sales up 43 percent

DUBLIN, Ohio — Cardinal Distribution reported sales increases in all customer segments and geographic markets for the third quarter and nine months ended Dec. 31.

Third-quarter net sales gained 43 percent, to $315.7 million from $220.7 million in the comparable prior period, and net earnings rose 35 percent, to $4.5 million from $3.3 Million. Fully diluted earnings per share increased 32 percent, to 33 cents from 25 cents.

For the nine months, net sales advanced 33 percent, to $843.1 million from $634.2 million. Net earnings were up 36 percent, to $11.5 million from $8.5 million in the 1990 period.

Operating earnings, helped by a strong margin performance and continuing gains in productivity, increased 53 percent for the quarter and 39 percent for the year to date, the company said.

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 8.38
Largest Dollar Loser	Giant Food	$ – 1.50
Largest Percentage Gainer	Bolar Pharmaceutical	105.56%
Largest Percentage Loser	Giant Food	– 4.96%

Advances	53
Declines	3
Unchanged	1
New highs	17
New lows	1

	Close 1/22/91	Close 2/05/91	Net Change	Percent Change
Drug Store News Index	3055.85	3489.50	433.64	14.19
Dow Jones Industrial Average	2603.22	2788.37	185.15	7.11
Standard & Poor's 500-Stock Index	328.31	351.26	22.95	6.99
N.Y.S.E. Composite	179.20	191.89	12.69	7.08
Value Line Index	194.68	218.19	23.51	12.08

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/22/91	Closing Price 2/05/91	Net Change in Period	Percent Change in Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.19	6.13	– 0.06	– 1.02	24	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	20.75	22.50	1.75	8.43	19	0.20	0.89	23.00	13.25
OTC	Big B	BIGB	7.50	7.88	0.38	5.00	– 19	0.00	0.00	13.38	4.75
OTC	Drug Emporium	DEMP	7.25	7.75	0.50	6.90	12	0.12	1.55	11.00	6.25
NYS	Fay's Inc.	FAY	8.50	10.63	2.13	25.00	15	0.20	1.88	10.75	7.25
ASE	Genovese Drug	GDX.A	6.00	7.50	1.50	25.00	14	0.24	3.20	9.63	5.50
NYS	Longs Drug Stores	LDG	33.38	35.50	2.13	6.37	12	1.04	2.93	43.63	30.88
OTC	Medicine Shoppe	MSII	22.25	24.50	2.25	10.11	21	0.24	0.98	26.75	15.50
NYS	Perry Drug	PDS	6.00	6.00	0.00	0.00	100	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	38.25	40.13	1.88	4.90	16	1.00	2.49	40.13	29.50
NYS	Walgreen Co. (L)	WAG	26.31	30.00	3.69	14.01	21	0.44	1.47	30.00	20.13
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	28.50	29.88	1.38	4.82	16	0.40	1.34	30.38	21.38
OTC	Bindley Western Ind.	BIND	12.13	13.75	1.63	13.40	19	0.04	0.29	14.25	8.63
OTC	Cardinal Distribution (H)	CDIC	29.75	31.25	1.50	5.04	26	0.08	0.26	32.00	16.50
OTC	Durr-Fillauer (H)	DUFM	21.75	26.75	5.00	22.99	21	0.24	0.90	26.75	15.88
ASE	Ketchum	KCH	1.63	2.00	0.38	23.08	– 2	0.00	0.00	2.88	1.25
NYS	McKesson Corp.	MCK	31.63	32.75	1.13	3.56	15	1.60	4.89	38.38	26.88
ASE	Moore Medical	MMD	4.25	6.13	1.88	44.12	– 8	0.00	0.00	8.50	3.50
NYS	Owens & Minor (H)	OMI	14.13	15.50	1.38	9.73	21	0.24	1.55	15.50	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	41.88	44.50	2.63	6.27	20	0.84	1.89	46.38	31.25
NYS	American Home Products	AHP	49.38	54.38	5.00	10.13	14	2.28	4.19	54.88	43.00
NYS	Baxter International (H)	BAX	28.00	30.00	2.00	7.14	– 214	0.64	2.13	30.00	20.50
OTC	Block Drugs Co. (H)	BLOCA	40.00	42.00	2.00	5.00	15	0.80	1.90	42.75	29.63
ASE	Bolar Pharmaceutical	BLR	2.25	4.63	2.38	105.56	– 4	0.00	0.00	13.63	1.88
NYS	Bristol-Myers Squibb (H)	BMY	66.63	70.75	4.13	6.19	21	2.40	3.39	70.75	50.50
NYS	Carter-Wallace (H)	CAR	53.63	58.75	5.13	9.56	17	0.92	1.57	61.25	44.88
ASE	Columbia Labs	COB	4.13	6.88	2.75	66.67	– 5	0.00	0.00	14.75	3.63
ASE	Forest Labs (H)	FRX	49.88	56.75	6.88	13.78	33	0.00	0.00	56.75	33.63
ASE	Halsey Drug	HDG	2.25	3.25	1.00	44.44	325	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical	ICN	2.63	3.13	0.50	19.05	0	0.00	0.00	5.25	2.50
ASE	Lee Pharmaceutical	LPH	1.00	1.13	0.13	12.50	– 5	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	7.25	9.50	2.25	31.03	11	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	76.13	75.75	– 0.38	– 0.49	19	2.00	2.64	90.38	58.75
NYS	Marion Labs (H)	MKC	35.25	36.13	0.88	2.48	21	0.80	2.21	36.50	21.00
NYS	Merck Co. (H)	MRK	87.63	96.00	8.38	9.56	21	2.24	2.33	96.00	67.00
NYS	Mylan Labs	MYL	18.75	21.25	2.50	13.33	23	0.20	0.94	24.75	13.75
NYS	Par Pharmaceutical	PRX	4.63	5.25	0.63	13.51	– 4	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	83.50	90.50	7.00	8.38	19	2.64	2.92	90.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	69.25	72.25	3.00	4.33	– 46	0.84	1.16	78.25	56.50
NYS	Schering Plough	SGP	42.38	45.63	3.25	7.67	18	1.12	2.45	50.75	37.00
NYS	Syntex Corp. (H)	SYN	60.88	66.00	5.13	8.42	20	1.60	2.42	66.00	46.75
OTC	Taro-Vit Industries	TAROF	2.75	3.00	0.25	9.09	– 50	0.00	0.00	3.13	0.88
NYS	Upjohn Co.	UPJ	36.88	40.38	3.50	9.49	21	1.16	2.87	44.63	33.00
NYS	Warner-Lambert (H)	WLA	69.00	72.00	3.00	4.35	20	1.76	2.44	73.13	49.63
OTC	Zenith Labs	ZENL	5.50	5.75	0.25	4.55	– 1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	37.13	38.88	1.75	4.71	24	0.48	1.23	38.88	24.38
NYS	American Stores	ASC	59.50	62.63	3.13	5.25	14	1.12	1.79	71.50	42.63
NYS	Giant Food	GFS.A	30.25	28.75	– 1.50	– 4.96	15	0.60	2.09	30.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	46.50	48.63	2.13	4.57	12	0.80	1.65	59.63	37.75
NYS	Kmart	KM	28.75	32.88	4.13	14.35	20	1.72	5.23	37.00	23.38
NYS	Kroger (H)	KR	14.00	19.00	5.00	35.71	73	0.00	0.00	19.00	10.63
NYS	Melville Corp.	MES	43.75	46.75	3.00	6.86	13	1.44	3.08	57.75	32.75
OTC	Fred Meyer	MEYR	12.00	14.25	2.25	18.75	– 71	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	46.88	52.88	6.00	12.80	9	2.64	4.99	70.88	37.38
NYS	Safeway	SWY	13.25	16.38	3.13	23.58	41	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	30.00	34.13	4.13	13.75	25	0.36	1.05	34.50	23.25
NYS	Wal-Mart	WMT	31.13	34.25	3.13	10.04	31	0.12	0.35	36.75	20.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N. Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1991 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, Box 3116, Grand Central Station, New York, NY 10164-0659. For change of address six weeks notice to Subscription Dept., Box 3116, Grand Central Station, New York, NY 10164-0659 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 13, No. 4 Feb. 18, 1991

DRUG STORE NEWS

VOL.1/NO. 2 | THE JOURNAL OF RETAIL PHARMACY | FEBRUARY 18, 1991

for the PHARMACIST

SPECIAL REPORT

Rx in E. Europe difficult despite changing times

By Marilyn Conlon Powers, R.Ph.

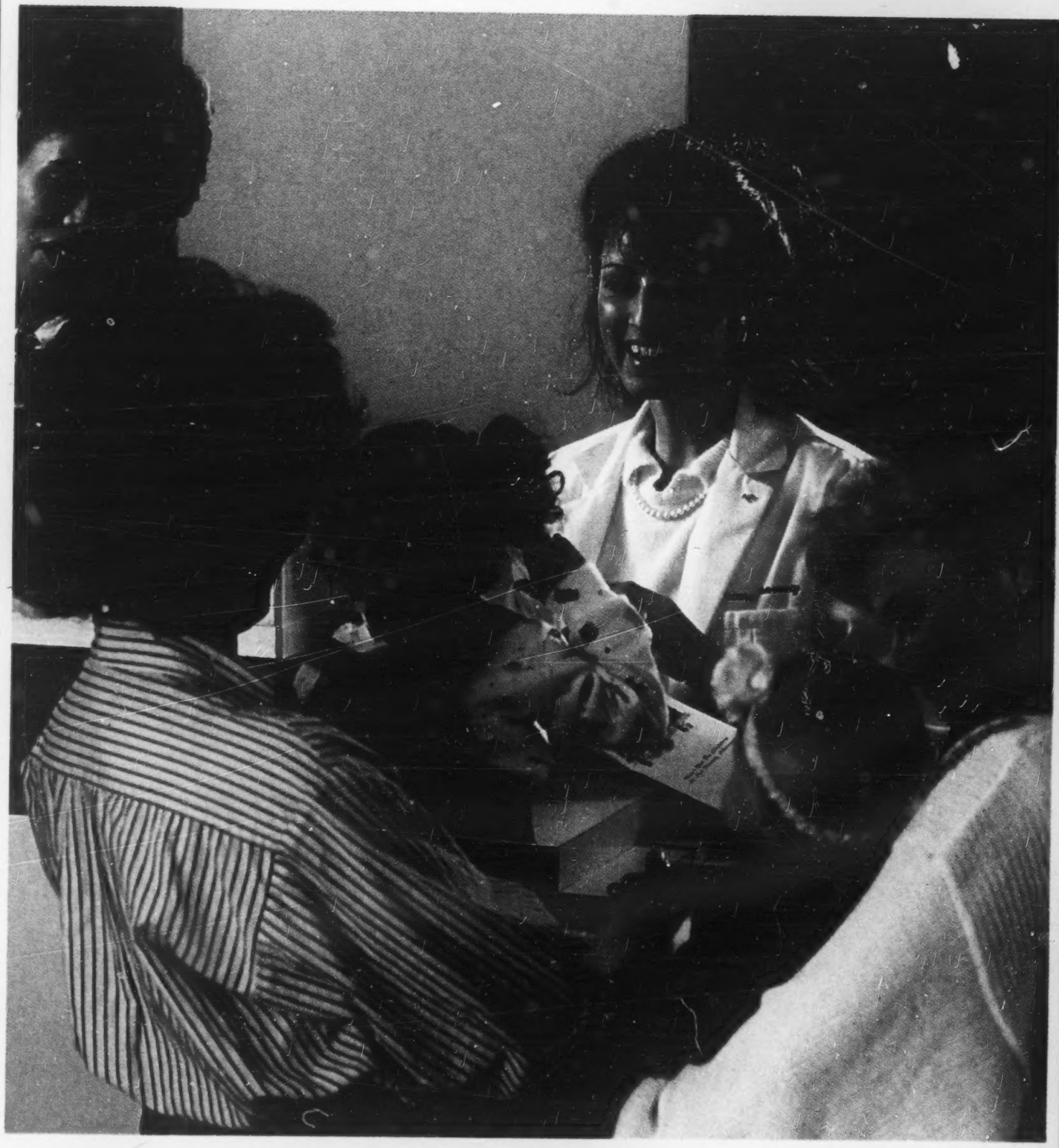
The winds of change sweeping across Eastern Europe are bringing problems and opportunities for the profession of pharmacy. On a recent trip we spoke with pharmacists in Poland, Estonia and Leningrad and found them excited over their new freedom and opportunities to make things better, for themselves and for the societies of which they are a part.

Our first stop was Gdansk, birthplace of Lech Walesa's Solidarity Movement. Our driver and guide, Ludwig, described conditions in Poland as the country struggles toward democracy and a free economy. Necessities are in short supply, inflation is serious, and unemployment is worsening.

In a very old, but well restored, pharmacy off the medieval town square, we

Continued on page 18

In-house pharmacy scores with HMOs



Insurance companies are opening their own pharmacies in an attempt to keep costs down while providing quality third-party care to policy holders. Retailers say the competition is unfair because they're not playing on an even playing field.

Continued on page 13

IN THIS ISSUE

FEATURES

Could pharmacy computers be doing too good a job? Pg. 5

Abbott Laboratories launches drug for insomnia. Pg. 11

DrSN focus on the diabetes care market. Pg. 21

DEPARTMENTS

News and trends 3
Cohen's Capsules 5
Statewire 6
Third-party News 8
Continuing Education ...27

In-house pharmacies score with HMOs

By Elizabeth Richardson

HOUSTON — Without fanfare, but with determination, insurance companies around the country are getting into the business of filling prescriptions, much to the chagrin of retail pharmacists who argue it is unfair competition.

Citing patient convenience and cost effectiveness as major reasons for getting into the pharmacy business, several national insurance companies have rolled out their own in-house pharmacies, generally housed in HMO units with one of the heaviest concentrations located here.

While some pharmacists are resigned to the fact that insurance companies have entered the business, many say that they are not playing on the same retail playing field.

"I have no doubt that these operations will save people money," said Keith Dunavent, vp at Town & Country Drug Stores, headquarted in Fort Worth. "But the cost savings comes from the disparity between pricing of the available cost of goods to retail pharmacists versus their contract prices with manufacturers. [Insurance companies] receive preferential treatment on acquistion costs, that's why these pharmacies work."

Unless in-house pharmacies operate under the same rules as drug stores, the smaller store will fade away.

Forging ahead

Despite the inequities, insurance companies have forged into the pharmacy business, some as early as 1982. The pharmacies are managed either by the insurance companies themselves, or by independently owned operators which serve a number of carriers. Although CIGNA Healthplan houses 60-plus pharmacies nationwide, some members may get their prescriptions filled by independent operations working under the CIGNA umbrella. One example of an independent insurance pharmacy operator is the Kelsey Seybold Clinics, servicing patients from Sanus, Equicor, CIGNA, and Met Life in the Houston area.

At least one Houston retailer has taken advantage of the interest in pharmacy by insurance companies. Beekman Drug Corporation, once a small, two-store apothecary chain, pioneered the first two Prudential PruCare pharmacies in the early '80s. The insurance company bought the units in 1982, and set up its pharmacy management system, which was revised to a more efficient structure in 1990. Today Prudential supports 53 PruCare pharmacy sites nationwide—10 which are located in the Houston area alone.

Retailers lash out

Some retailers have lashed out at these pharmacies as being poorly regulated prescription centers that are able to exist because manufactuers sell product to them below an average retailer's cost.

Not so, says Dan Clark, manager of pharmacy services for Houston's PruCare pharmacy team. Clark, who previously worked as a staff pharmacist for several independents in the Houston area, thinks that the retailer's criticisms of PruCare's facilities, and others like it, are unfounded. If anything, says Clark, they are intensely regulated, which has actually helped make the PruCare system more successful than was ever anticipated.

"What most people don't understand, is that we're regulated probably more than a regular retail pharmacy is," he said. "We get checked by the state board of pharmacy, the department of health, the department of insurance, and by Prudential itself—which is probably the most stringent of all the audits. Being under the microscope as much as we are, has increased our willingness and sensitivity to providing the best quality of care possible."

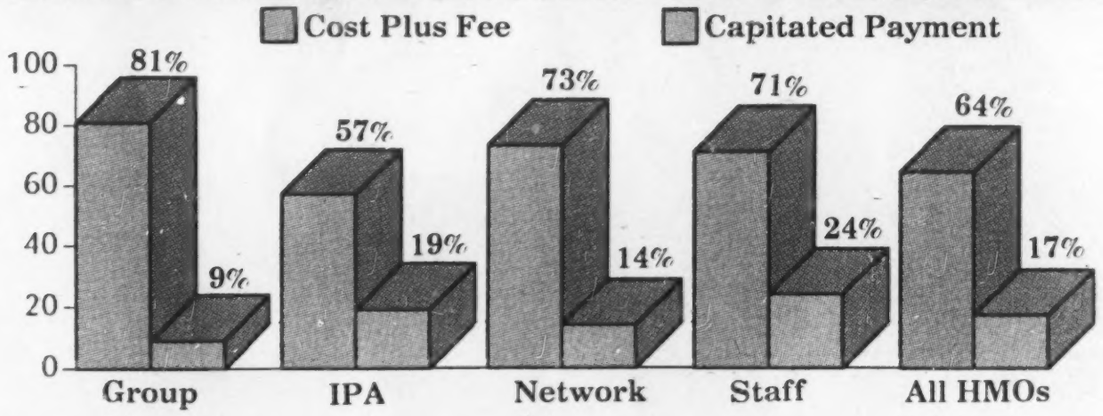
However, Town & Country's Dunavant contends that until these type of pharmacies operate under the same pricing guidelines as traditional drug stores, the smaller drugs store will simply fade away.

"Ultimately when it comes to pharmacies that deal in exclusive contracts, the bigger will get bigger but the smaller *won't* get smaller, they will just go away."

While that may be true, the PruCare, CIGNA and Kelsey Seybold pharmacies are much smaller than most traditional drug stores. They basically fill prescriptions and have a very limited front-end business. Most are housed within the "group model" units along with physicians' offices, optical, dental, and x-ray labs. In

Continued on page 16

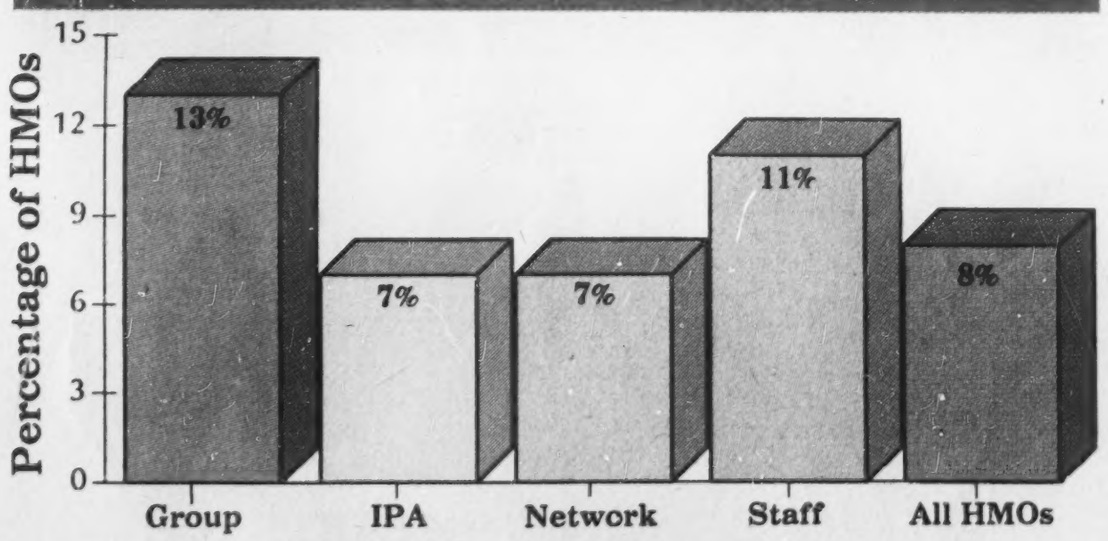
COMPENSATION OF PHARMACIES, BY MODEL*
Percentage of HMOs



*HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.

Source: Marion Managed Care Digest/SMG Marketing Group

PERCENTAGE OF HMOs USING MAIL ORDER, BY MODEL



Source: Marion Managed Care Digest/SMG Marketing Group

The problem
NAIL FUNGUS
The solution
FUNGI-NAIL®

Try this safe, simple, effective remedy for the pain and embarrassment of nail fungus. Fights thick, split, discolored nails. Used for years by thousands of sufferers. Two powerful antifungal agents fight infection on toenails and fingernails. Fungi-Nail provides relief from the pain and acts to eliminate the actual fungus. Easy to apply as nail polish. No prescription needed.

Do you use Artificial Nails?
Then you should use Fungi-Nail to prevent the nail fungus associated with artificial nails.

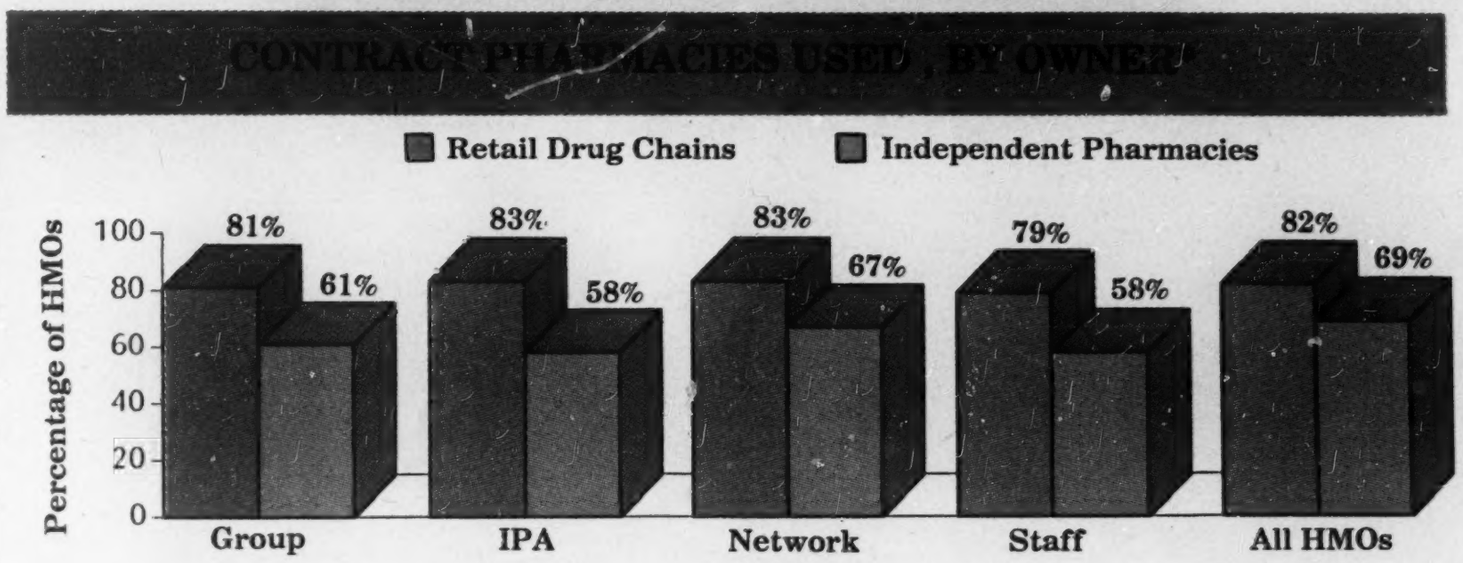
National ads like these can mean big profits for you...if you're ready!

National newspaper advertising campaign for Fungi-Nail® is bringing new customers into stores all over the United States. Make sure you're stocked and ready to sell this safe, effective topical formulation that fights fungus on toenails and fingernails...Treatment is simple and effective. Provides relief from pain and discomfort too. One-ounce bottle sufficient for treatment up to 5 months. Used by thousands of satisfied customers. No prescription needed. Stock up today. Suggested Retail $14.95

Special Introductory "Buy 6, Get 7" Offer
For details contact
Kramer Laboratories
8778 S.W. 8th St.
Miami, FL 33174.
Or call 1-800-824-4894
or 305/223-1287.

Circle #8 on Reader Service Card

cover story



*HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.
Source: Marion Managed Care Digest/SMG Marketing Group

In-house pharmacies score big

Continued from page 13

some circumstances, the pharmacies may stand alone in certain locations. Group insurance policy members are the pharmacies' only customers, including retirees who are allowed to continue the service.

Hours vary among locations. However, most maintain a 9 to 5:30 schedule, Monday through Friday, with no weekends or nights. Since all of PruCare's facilities are situated within medical buildings, 24-hour operations aren't part of PruCare's long-range plan, PruCare's Clark says, but he doesn't entirely dismiss the idea either.

Benefits

According to Clark, the system benefits for both customers *and* pharmacists.

Most customers pay $2 to $5 as a co-pay fee for prescriptions. Maintenance drug supplies for three months are also available for a $15 co-pay fee. The pharmacy will mail a customer's maintenance drugs to them, but doesn't advertise a "mail order service" per se.

While critics attack the pricing structure on pharmaceutical products these pharmacies are allowed, Clark believes the cost savings equals out in the long run. "Sure, we get some pricing breaks, but most people think we buy like the government, and we don't," he said. "In addition, our customers, since they pay an insurance premium, expect to get some cost savings."

Good working environment

Pharmacy personnel contend the atmosphere is great because of the professional interaction with physicians. "Our advantages, in my bias, is that we have an increased degree of professionalism, in regards to the potential daily interaction with physicians and nurses," said Ramie Ramirez, Kelsey Seybold's director of pharmacy.

According to some insurance company staff pharmacists, patients could also benefit. "We can be more involved in a patient's therapy because we work so closely with a medical group," said Christine Boss, a PruCare pharmacist-in-charge. "There are so many changes in the drug industry, so the more questions you're asked, the more on top of things you are."

Advancement opportunities are also a plus for pharmacists. PruCare's Clark himself was a director of administration at two different managed care divisions for a stint before heading back as pharmacy manager in 1990.

While insurance prescription programs like those at Prudential, CIGNA and Kelsey Seybold have been successful, their founders don't think the systems pose a big threat to retail pharmacy outlets. Says Kelsey's Ramirez, "Sure, in the early days, we were a threat to the retailer—that was before all of the pies got divvied up. Now we just try to survive like everyone else."

Compact Counter Display Pack
(12s) takes only 2½" of shelf space.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #9 on Reader Service Card

When customers ask what they should use for cold sores, suggest
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #9 on Reader Service Card

Chains get aggressive in diabetes marketing

More than 14 million Americans have diabetes—and almost half are not even aware of it—with as many as 600,000 new patients diagnosed yearly.

NEW YORK — Drug Fair of N.J. will take part in a diabetes screening program in concert with Diabetes Awareness Week.

Valu-Rite frequently advertises syringes and glucose monitors for diabetics in weekly circulars. Kerr, Eckerd, Osco and Genovese all stock full diabetes sections. Drug chains are clearly targeting diabetics by fortifying the stores' professional image, and help build a loyalty among highly productive customers.

More than 14 million Americans have diabetes—and almost half are not even aware of it—with as many as 600,000 new patients diagnosed yearly.

Actions are being taken by several groups to urge people to take a quick test for diabetes; Medicine Shoppe and Phar-Mor have participated in screening programs.

Important to pharmacies

Not surprisingly, drug stores are the leading outlet for the purchase of diabetes maintenance items. Some sources estimate drug stores account for 60 percent of purchases.

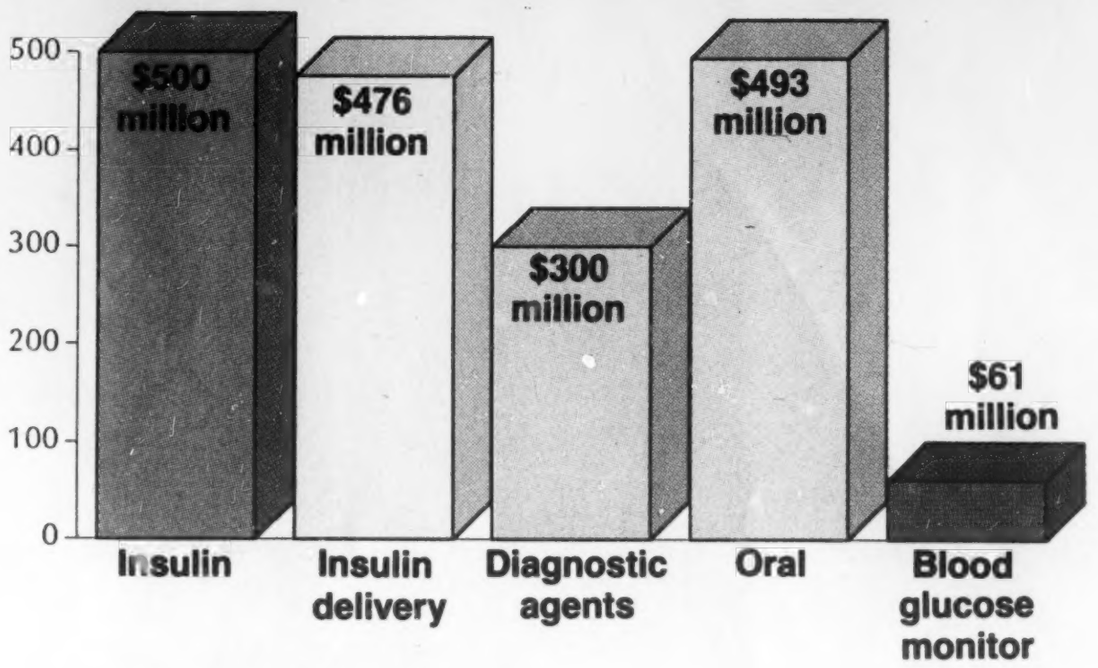
And as counseling becomes even more important,, diabetes is an area pharmacists must be ready to deal with, according to Glen Cureton of SRI International, a research firm which recently completed a study of the role of the pharmacist in the future.

"Pharmacists' attention to their customers with diabetes can, in the long run, save patients' eyes and limbs and cut down on the incidence of long-term complications," noted Betty Page Brackenridge, president of the American Association of Diabetes Educators.

If a patient develops a rapport with the pharmacist, he's also likely to remain loyal to that store. Repeat business can translate into big dollars since an average customer with diabetes spends more than seven times that of a typical shopper.

"The customer with diabetes is a major source of revenue," confirmed a pharmacist at a Valu-Rite in Tarrytown, N.Y. Added a source for Drug Emporium, "We really cater to the diabetes patient." Drug Emporium reportedly does a brisk business because of the deep discounts on the wide array of diabetic needs.

U.S. Diabetes Care Market 1990



Total market = $1.8 billion
Source: Frost & Sullivan

According to a recent study conducted by Frost & Sullivan, New York, the total U.S. Diabetes Care market totals $1.8 billion. Insulin, according to Frost & Sullivan, produces $500 million of the total, followed by insulin delivery ($476 million), Oral agents ($493 million), Diagnostic Agents ($300 million) and Blood Glucose Monitors ($61 million).

Insulin

Pharmacists must be able to counsel consumers, especially newly diagnosed patients, on insulin. One company, Novo Nordisk, developed a wide array of support material to help pharmacists set up a Diabetes Information Center in the stores.

Oral hypoglycemics

Hoechst-Roussel Pharmaceuticals Inc., makers of Diabeta, a class of oral agents for non-insulin dependent diabetes, remains devoted to diabetes research through the Diabetes Research and Education Foundation. For patients, the firm has an 800 number plus patient brochures.

Test kit market expands

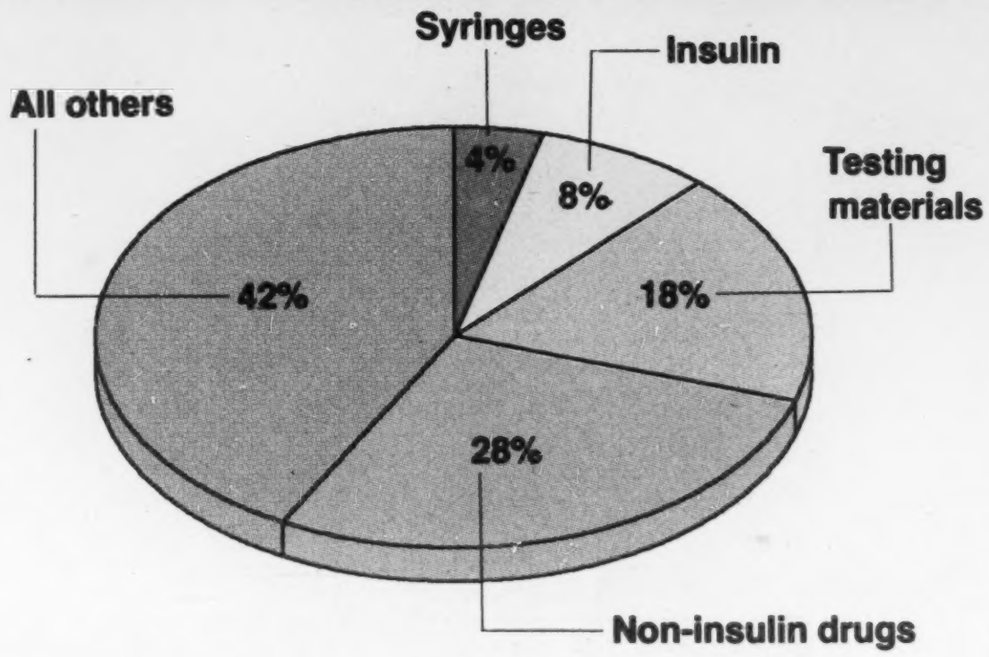
According to retailers, diagnostic test kits represent an area with tremendous potential. "We do a good job with kits, especially under $50," observes Paige Ilderton, buyer for Kerr Drug.

New products, lower prices and improved education are driving kit sales ahead 15 percent to 20 percent. Diabetes test kits is now a $500 million retail business. Research from Frost & Sullivan terms the self-diagnostic home health care market potential as "enormous."

Chains such as Eckerd and Osco have created special test kit departments, often in proximity to pharmacy. Although some retailers keep the kits behind the pharmacy, manufacturers recommend bringing

Continued on page 21

Diabetic customer spending



Source: Manufacturer estimates

Big profits for test kits

Continued from page 19

the items out in the open where customers can easily see them.

Some of the best sellers: Accu-Chek from Boehringer Mannheim, Medi-Sense's Exac-Tech and Ames' Glucometer III.

Some of the newer items gaining interest: One Touch II from LifeScan, a portable device that makes blood glucose testing easier. One Touch II can achieve clinically proven accuracy in only 45 seconds.

From Wampole Laboratories (a division of Carter-Wallace) comes Answer Blood Glucose Monitoring System. According to Tom Berg, marketing manager, the self-glucose monitor system is a state-of-the-art no wipe, "no time" system that can reduce errors.

Comfort sells syringes

The one billion-unit syringe business remains one of the most competitive areas of diabetes merchandising. The most dramatic change in the business is that consumers are injecting themselves with smaller dosages, more frequently. That means they're using more syringes (category growth is pegged at three percent per year) and are concerned more with comfort. Two major brands vie for the consumers' choice, Becton-Dickinson and Terumo.

Although B-D commands more than an 85 percent share, Terumo has emerged as a major contender. Several retailers contacted by *DrSN For The Pharmacist* report they stock both options. Several mentioned interest in B-D's newest entry, Ultra Fine. "Its positioning is as a thinner product to seek more comfort, and we've seen that comfort is very important to the customer," explained Bob Singley, director of marketing for B-D.

Some say B-D's new entry will compete head-to-head with Terumo's 29 gauge syringe. Said Dan Cedrone, national sales manager for Terumo, his company's syringes retail for 25 percent less than competitive items thanks to state-of-the-art production capabilities allowing them to. "We can pass on the savings to the customer," he said.

Retailers applauded both firms' promotional and consumer education programs. B-D, for example, offers patients everything from tips to a cookbook. It is also working on a safe disposal program that fits in nicely with current "green" efforts. Singley said that the products are equipped with proper disposal instructions.

Another insulin delivery system is the NovolinPen, developed by Novo Nordisk. The product is especially suited for patients who have to inject several times a day.

Correction

A chart on wholesaler voluntary programs in the Dec. 10 issue incorrectly identified Cardinal Drug's voluntary program as Good Neighbor Drug. Good Neighbor is the name of Bergen-Brunswig's voluntary program. Cardinal's program is called Leader Drug.

Does your profile fit?

We're looking for a pharmacist who cares a lot about retail pharmacy issues — a person who can write about those issues clearly and strongly.

We need a pharmacist who is at ease interacting with pharmacy professionals at all levels— from professional directors at the largest corporations to community pharmacists practicing at chain and independent drug stores.

We want a pharmacist who gets excited about traveling across the country to interview his/her professional peers and attending national pharmacy meetings.

We're searching for a pharmacist who'd give anything to play a major role in shaping an exciting new pharmacy publication.

If your profile fits our needs, give me a call at (212) 371-9400, ext. 267, or send your resume plus a letter to me at Drug Store News, 425 Park Avenue, New York, NY 10022.

Bruce Buckley
Chief Editor